

# APARTMENT APPROVALS SLOW IN SYDNEY AS MORE COSTS ARE IMPOSED

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The latest figures from the Australian Bureau of Statistics (ABS) for dwelling approvals show a slow down for NSW particularly for apartments and proposed extra costs could slow housing production even more says the Urban Taskforce.

“Apartment approvals have dropped by 12% between July and October 2016.” Says Urban Taskforce CEO Chris Johnson “The high point of 4,105 new apartments approved in NSW in July 2016 has dropped to 3,620 in October which is a significant decrease. Housing approvals have also fallen but not by the same amount with all homes dropping from 6,500 in July 2016 to 5,945 by trend in October 2016.”

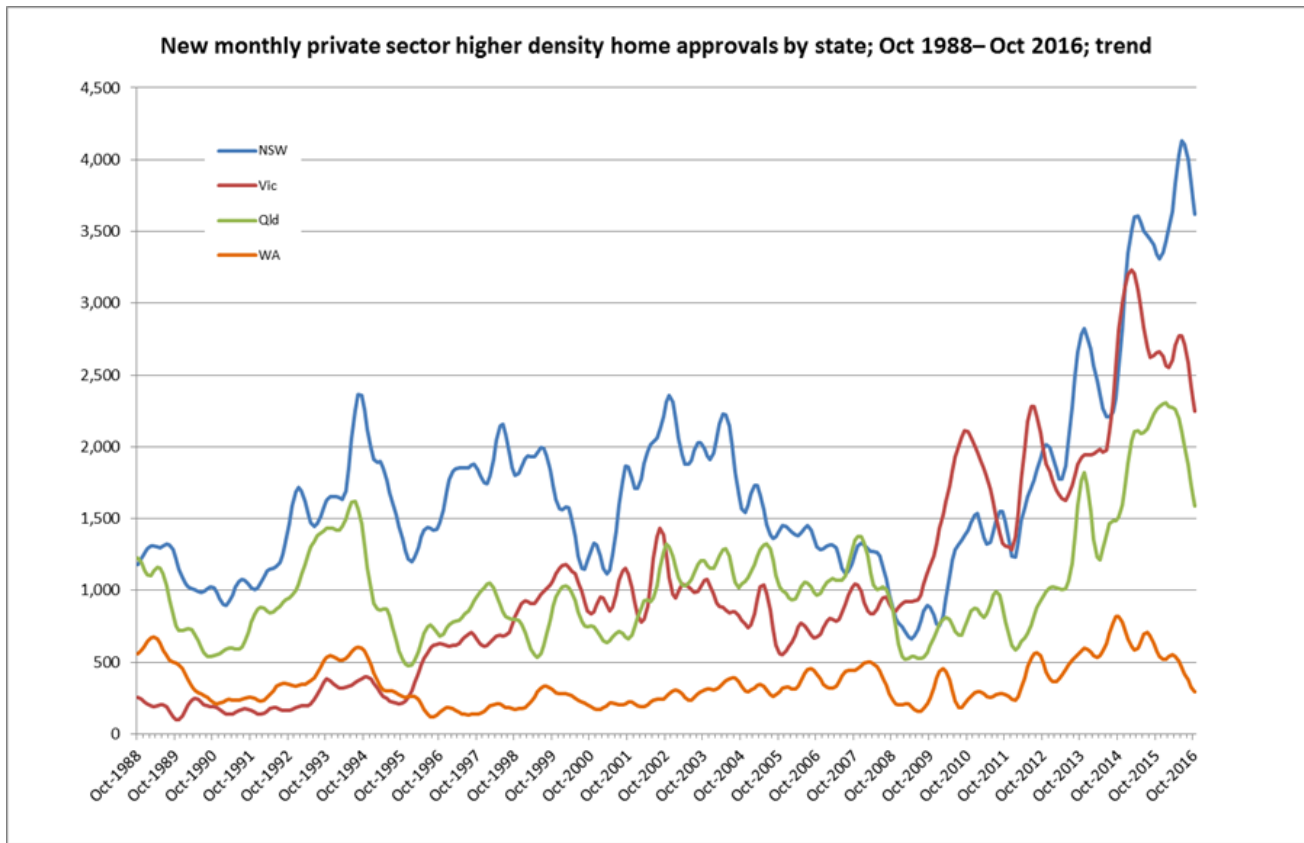
“There are a number of signals from the NSW Government that are likely to add more costs to developing apartments and houses and this will add uncertainty to those investing in new housing. The release of the District Plans by the Greater Sydney Commission has highlighted a number of new levies to housing.”

“An affordable housing levy of up to 10% is now proposed in the District Plans as well as statements about Value Capture levies. On top of this the NSW Minister for Planning is encouraging changes to Negative Gearing that would reduce the investment interest in new homes that are needed for the rental market and potential changes to the BASIX sustainability program could lead to additional building costs.”

“There will be an uncertain environment over the next 12 months as the very broad District Plans are discussed leaving confusion over just which planning rules apply. The council elections at the end of 2017 for amalgamated councils could put decision making on hold.”

“All of this uncertainty is in the context of an increased number of new homes needed in Sydney yet the uncertainty is likely to slow production down. The Department of Planning has indicated that an average of 36,250 new homes are needed over the next 20 years but the highest production has been 30,000 for the last financial year. The government’s high growth scenario would require 41,500 homes a year. Clearly for Sydney the NSW Government must be encouraging an increase in housing supply of around 10,000 more than is currently occurring but the uncertainty over the District Plans, Affordable Housing levies, Value Capture levies, Council Amalgamations and potential changes to BASIX will slow housing supply down.”

“What is needed is policies that stimulate more housing production like the Urban Taskforce proposal for 4,000 affordable homes a year rather than a raft of new levies, taxes and an uncertain planning environment. The current slow down on housing approvals should be seen as an early warning that support for housing production is needed.”



Data source: Australian Bureau of Statistics (2016)

The **Urban Taskforce** is a property development industry group, representing Australia's most prominent property developers and equity financiers.

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